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March 12, 2014

The Honorable Daniel R. Elliott, Chairman
The Honorable Ann D. Begeman, Vice Chairman
United States Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Dear Chairman Elliott and Vice Chairman Begeman:

I write to update you on BNSF's network performance and status of our hiring, capital and service goals following my meeting with you and the members of your staff on February 18, 2014. As I relayed in our discussions, BNSF's top priority after safety is addressing our network service issues; and we are committed to providing a transparent view into current service levels for those who rely on our network during this challenging period.

Overall Service Performance

As we discussed when we met last month, BNSF's service in the fourth quarter of 2013 and the first quarter of 2014 has fallen short of our customer's expectations and our own high standards. Velocity across our network was impacted by substantial, concentrated, and, in many cases, unanticipated growth in volume, most pronounced in the grain and crude business traveling across our Northern Corridor. In addition, we faced a series of extreme weather events that significantly disrupted our operations. These elements resulted in compounding reductions to our overall network velocity, extending the time for our service recovery. As a result, we are holding trains for longer periods around our network, which further taxes critical resources such as locomotives and crews. Efforts to bring additional resources on line—detailed below—are tracking well against the aggressive goals we have set for ourselves. However, since we met in February, we have unfortunately seen further degradation in certain key service measures, which is reflected in the enclosed deck. In particular, the system-wide number of Past-Due Ag cars has increased. While we forecasted a short-term increase prior to decreases starting in the second quarter, the increase we have experienced has unfortunately outpaced the forecast we shared in February. This degradation is driven by a continuing tight supply of non-shuttle Ag cars due to delays in cars returning from the Chicago gateway and continued slow turn times on BNSF. Countermeasures have included putting additional non-shuttle Ag cars in-service to counteract these slow turn times.

We recognize the severe impact that our reduced network velocity is having on our customers and their business. As I expressed in our February meeting, BNSF is committed to restoring service levels as quickly as possible. To accomplish this, we are refocusing on the actions that are core to running a safe, high velocity railroad that delivers excellent service. Every one of our employees is intensely focused on taking advantage of every bit of existing capacity on the network that is available to us—making every move count. In addition to the measures we are taking to improve velocity and service in the short term, we are undertaking in 2014 our largest, single year capital investment in our company's history. Our capital investment to increase capacity and maintain existing capacity to its highest level is essential to obtaining long-term sustained velocity that translates into reliable service for our freight customers.

Amtrak Performance

The service challenges we have outlined for the Board have had a corresponding impact on Amtrak trains, particularly the Empire Builder, that also rely on the fluidity of our network. As we discussed, the Empire Builder train, particularly on the route along the east end of our Northern Transcon, has experienced severe service interruptions that have degraded On-Time Performance and Hours Late measures. Amtrak has now resumed normal Eastbound and Westbound operations on the Devils Lake Subdivision in North Dakota on March 1, and will no longer be diverted on the KO Subdivision. However, the route between Seattle and Everett, WA has been subject to four mudslides since February 17, which result in 48-hour moratoriums on occupied passenger trains following each event. Avalanche-caused outages in Montana near Essex and adjacent to Glacier National Park began March 2, and were immediately followed by three more events through March 6, in some areas depositing over seven feet of snow and debris across the tracks. We work with the National Park Service to mitigate avalanche risk on a case-by-case basis and when the risk has reached the highest level. This has necessitated the busing of passengers between Shelby and Whitefish, while trains operate without passengers through the affected area. Both Eastbound and Westbound traffic is impacted and we have not seen improvement since our February 18th meeting. BNSF is committed to returning to the performance levels for Amtrak that we have historically provided. We have implemented a series of countermeasures, as circumstances require, including directional running with freight flows, rapid responders, supplementing service with busing around avalanche risk areas, and 24-hour support staffing. In addition, the measures detailed above that BNSF is taking in the short-term, as well as our long-term capital investment program, will improve velocity across our network with corresponding benefits to Amtrak service.

Regular Update

At our meeting last month, BNSF agreed to provide the Board with regular written updates on our progress towards improving service. I am attaching to this letter the first such update, which provides reporting on key service and recovery metrics, including snapshots of velocity metrics for the overall network and each of our major regions and past due cars. It also describes our progress against our investment goals in locomotives, crew and capital investment to maintain and expand our network infrastructure capacity to handle the growing volume at the service levels our customers expect.

In addition to these overall metrics, we know that in the state of North Dakota there are particular concerns about our service and as a result, I am also providing specific data focused on North Dakota for the Board's information.

We will update for the Board all of the data provided on a biweekly basis. In addition, we will continue our weekly calls between the STB staff and Bob Lease, our Vice President of Service Design and Performance and other members of our operating team.

Conclusion

Please be assured that, after safety, restoring service is our most important mission in 2014, and all of our employees are dedicated to it. We appreciate this opportunity to provide insights into the current challenges that we are facing and to provide updates on our progress while we work our way back to reliable service levels across our network.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carl R. Ice', with a stylized, cursive script.

Carl R. Ice
President & CEO